SGGF III

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

SASKATCHEWAN GOVERNMENT
GROWTH FUND III LTD.

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TriNexus Holdings Ltd.

Big Sky Farms Inc.

Cover Photo Credit: Tourism Saskatchewan/Douglas E. Walker

Visitors soon discover why golfing is such an attraction in Saskatchewan – the incredible variety of terrain and course layout, few crowds, and the fact that the province offers more golf courses (over 250) per capita than any other place in the world! There's everything from well-manicured grass green courses to challenging layouts on the more than 135 sand green courses. Popular among seasoned golfers are the Murray and Tor Hill courses near Regina, as well as Moon Lake and the Willows near Saskatoon. The beautiful Riverbreaks Golf Resort near Riverhurst hugs the shores of Diefenbaker Lake, while the North Battleford Golf and Country Club overlooks the North Saskatchewan River and the highly rated Nipawin Golf Course cuts right through northern forest. Farther north, near Waskesiu, the well-established Waskesiu Golf Course and the impressive new Elk Ridge Resort course should both be experienced. You can take in this scene as you tee off at the #1 hole on the Kenosee Lake Golf Course.

102-05048/

FUND PROFILE

Saskatchewan Government Growth Fund III Ltd. ("SGGF III") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

PEL Industries Inc.

Dutch Industries Ltd.

Pointe Sapinière Corporation

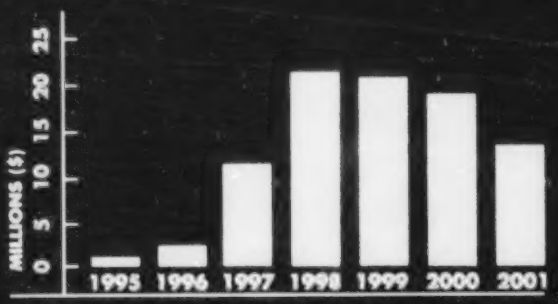
TriNexus Holdings Ltd.

FINANCIAL RESULTS

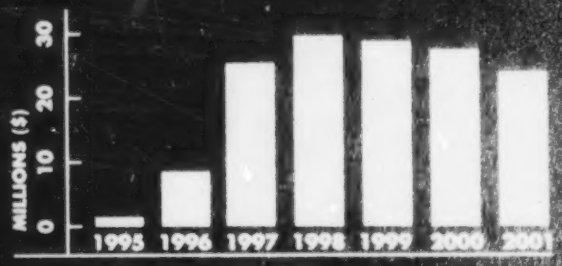
SGGF III ended the year with an accumulated deficit of $4.87 million, an increase of $4.04 million over 2000. The increase is primarily due to provisions for losses on investments.

In January 2001 cash flow monitoring identified delays in liquidating investments that would impact upon SGGF III's ability to continue full repayment at maturity. As a result, full repayment at maturity was suspended and principal repayments were reduced to $150,000.

- Revenue from investments was $2.28 million, a decrease of $385,000 from 2000.
- Since inception, over $26 million of investment has been made in 13 eligible businesses. Of this, $15.7 million has been invested in small and medium-sized enterprises and $10.3 million in low-risk infrastructure loans.
- A total of 21 investors were each repaid $150,000 of principal at maturity.
- During its marketing period that began in 1994, SGGF III raised $29.5 million from 118 investors.



INVESTMENTS OUTSTANDING



OBLIGATIONS TO INVESTORS

BOARD OF DIRECTORS AND OFFICERS

Gary Benson
President

Wilson Olive
Chair

Darrel Cunningham
Director

Joanne Forer
Director

Gordon Mertler
Director

Keith Rissling
Director

Grant Scharfstein
Director

MESSAGE TO INVESTORS

As outlined in the Confidential Offering Memorandum by which the Notes of the Saskatchewan Government Growth Fund III Ltd. ("SGGF III" or the "Fund") were sold, the Fund agreed to pay investors their annual interest and $250,000 at maturity of their Notes, assuming the earnings from its investments and the proceeds from selling the investments were sufficient to allow it to do so.

In January of 2001, the CDNX stock exchange issued a "cease trade" order against Peragis. This was totally unexpected. Peragis was a significant investment of the Fund and the "cease trade" order meant that the Fund could no longer expect any proceeds from the sale of its shares. The loss of Peragis together with the lack of immediate liquidity from several privately-held equity investments, meant that the Fund could not pay all remaining investors their full $250,000 as their Notes matured. The Board of Directors decided to reduce the payment at maturity to $150,000, an amount that the cash flow projections indicated could be made to each remaining investor as his or her Note matured. The Board also decided that additional payments would be made to investors on a pro-rata basis, as the privately-held equity investments were actually liquidated.

In 2002, SGGF III will continue to pursue a strategy of orderly liquidation of the Fund's remaining assets. The Fund believes this strategy will result in the greatest amount to be paid to investors. If there are any significant developments during the year, the Fund is committed to communicating them to you on a timely basis.

Throughout 2001, the Board of Directors held 6 meetings in person. Gerry Edwards resigned from the Board in June of 2001 as he relocated out of the Province. In January of 2002, Wilson Olive and Grant Scharfstein resigned as directors. We thank them and the remainder of the directors for their dedicated contribution to the Board. Lloyd Boutilier and Roland ("Rollie") Hardy were appointed to the Board of Directors in February of 2002, and Joanne Forer was elected Chair.

Joanne Forer
Chair

Gary K. Benson
President

The following are company profiles of investments held by SGGF III during 2001, including the approved investment level and a brief description of each company's operations.

INVESTMENT PROFILES

Big Sky Farms Inc.
$3,750,000 Loans and common shares

Big Sky Farms, headquartered in Humboldt, Saskatchewan, operates a number of farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of Saskatchewan.

Biostar Inc.
$1,155,022 Common shares

Biostar is a Saskatoon-based biotechnology company using advanced technologies to develop and produce high value-added, bio-engineered vaccines for animals and humans. In 2000 SGGF's debt position was converted to shares and the company was sold for cash and an equity interest in another company.

Dutch Industries Ltd.
$1,000,000 Loan

Dutch Industries is a Regina-based manufacturing, repair, fabrication and steel supply company. It is a pioneer in the area of zero depth tillage technology for the North American agricultural industry and is a leader in the development and commercial use of windmill technology for agricultural, municipal and utility applications.

BelAir Energy Corporation
$500,000 Common shares

BelAir Energy Corporation is a publicly traded (Canadian Venture Exchange) company headquartered in Calgary, Alberta. The company is involved in the acquisition, exploration and development of natural gas and crude oil producing properties in Alberta and Saskatchewan.

Millstreet Industries Inc.
(formerly Millstreet Development Corporation)
$475,000 Common shares

Millstreet Industries is headquartered in Regina, Saskatchewan, with operations in British Columbia, Alberta and Manitoba. The company markets, distributes and services specialized equipment for the application and storage of fertilizers and chemicals. It also delivers industrial services including maintenance, repair and fabrication services for heavy and resource extraction industries. The company's shares trade on the Canadian Venture Exchange and SGGF is hoping to recover a portion of this investment.

PEL Industries Inc.
$1,000,000 Loan

PEL Industries is located in Swift Current, Saskatchewan. The company manufactures and sells agricultural related products that assist in the handling and movement of grain. These products include grain vacs, grain drops, aeration fans, air seed blowers, chaff spreaders and flexible harrow drawbars.

Peragis Inc.
(formerly Points North Digital Technologies Inc.)
$1,752,915 Common shares and loan

Peragis, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. In addition, its assets include Canada's third largest retail travel agency network. The company's shares trade on the Canadian Venture Exchange. SGGF recovered its loan in 2000. In January 2001 trading in the company's shares was halted and SGGF wrote off its investment in Peragis during the year.

Big Sky Farms Inc.

Big Sky Farms Inc.

Biostar Inc.

Points North Leasing Inc.
$2,188,268 Loans

The company, located at Points North Landing, Saskatchewan, owns aircraft, buildings, equipment and vehicles that are leased to a freight forwarding business serving northern Saskatchewan.

Prairie Sulphate Corporation
(formerly PSC Alsask Inc.)
$1,586,049 Loans and common shares

Prairie Sulphate Corporation is located at Alsask, Saskatchewan. The company manufactures potassium sulphate fertilizer; a specialty product used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens. SGGF wrote off its equity position in the company in 2001.

Techmatic Control Solutions Ltd.
$701,100 Loans

Techmatic Control Solutions, located in Saskatoon, Saskatchewan, manufactures fully automated commercial grain dryers with instrumentation providing complete details on moisture, temperature, gas consumption and ambient weather conditions. The company declared bankruptcy during the year with SGGF only being able to recover a portion of its investment.

TriNexus Holdings Ltd.
(formerly TriNexus Technologies Inc.)
$1,380,000 Common shares and loan

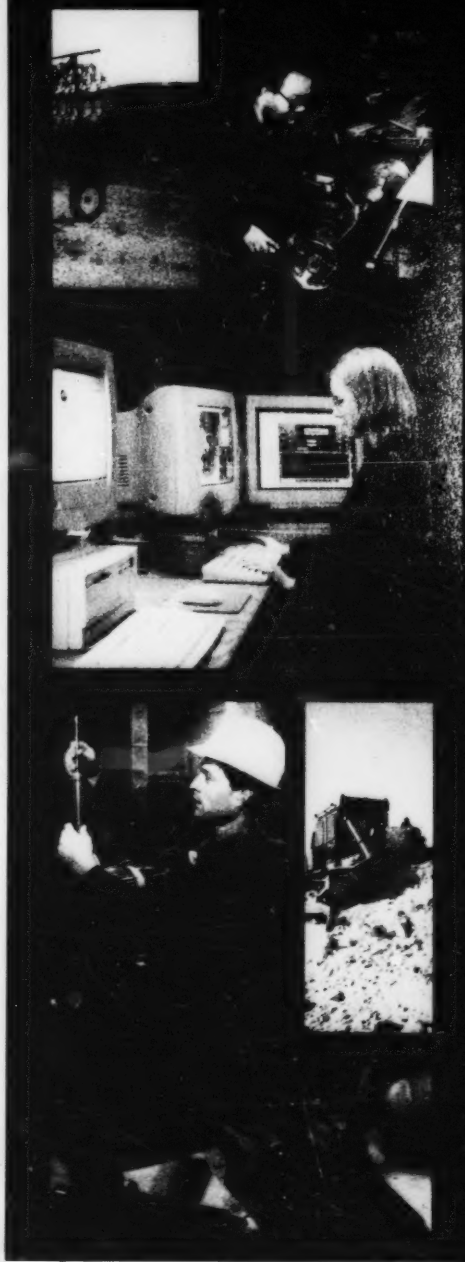
TriNexus is a publicly traded (Canadian Venture Exchange) Saskatoon-based company that designs and manufactures products that enhance the voice and data services being provided by telecommunications companies. In 2000 SGGF converted a portion its debt position into common shares. The company was placed into receivership in 2001 and SGGF was able to recover a portion of its investment with the remaining amount being written off.

CAJON Leasing
$7,700,000 Loans

CAJON is located in Regina, Saskatchewan and purchases vehicles for lease to Saskatchewan Crown corporations.

R & R Leasing
$3,047,500 Loans

This Saskatoon, Saskatchewan-based entity purchases equipment for lease to Saskatchewan Crown corporations.

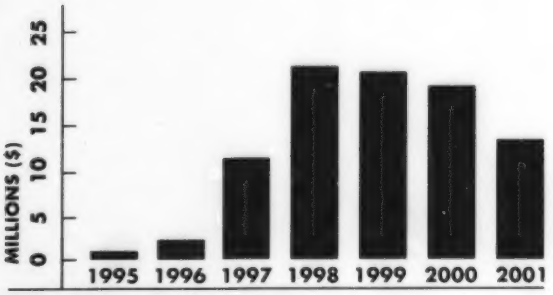


Dutch Industries Ltd.
PEL Industries Inc.
Perogis Inc.
Prairie Sulphate Corporation
Prairie Sulphate Corporation
TriNexus Holdings Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

The accumulated deficit in SGGF III at December 31, 2001 is $4.9 million, an increase of $4.1 million over 2000. The increase is due almost exclusively to provisions for losses on investments. During the year $3.6 million of investments and costs were written off.

At the start of the year management began an extensive monthly cash flow monitoring exercise in order to identify any timing differences between the planned liquidation of investments and scheduled investor repayments. In January 2001 this monitoring identified delays in liquidating investments that would impact upon SGGF III's ability to continue full repayment at maturity. As such, full repayment at maturity was suspended in January and payments were reduced to $150,000.



INVESTMENTS OUTSTANDING

Investment Activities

No new investments were undertaken in 2001 compared to a total of $1.4 million of approved investment during 2000.

In 2001 a company with which SGGF III was associated sold its equipment on operating leases. The acquirer was extended a loan to purchase the leased assets with repayment of the loan to SGGF III continuing uninterrupted on essentially the same terms as those of the vendor.

The current carrying value of the portfolio is $12.5 million and is comprised of 72% invested in debt instruments and 28% in equity. In 2000, the total portfolio of $19.3 million was 28% invested in debt securities, 40% invested in equity instruments and 32% in assets under operating leases.

The provision for future investment losses in 2001 was $3.8 million (2000 – $621,000). This loss provision adjusts impaired investments to their estimated net realizable value and publicly traded shares to the lower of their cost and market value.

Revenue from investments and leases of $2.8 million in 2001 is comparable to 2000 when $2.7 million was earned. The decrease reflects the lower level of investments held throughout the year as they are liquidated to provide cash for investor repayments.

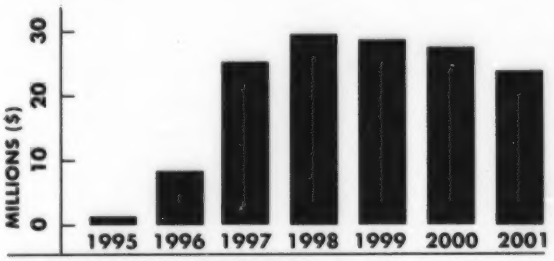
Investor Activities

Investor redemptions at maturity continued throughout 2001. However, as mentioned above, in January it was identified that investment liquidation problems would compel the fund to reduce future repayments to $150,000 at maturity for all remaining Notes with further amounts to be repaid as investments are liquidated. A total of 21 investors were paid the $150,000 at maturity.

In the coming year, there are 65 Notes that mature, followed by 21 in 2003, 1 in 2004 and the last in 2005.

Cash from divestments will be used to redeem Notes as they mature. Some of the investments held by SGGF III are of such a nature that the timing of and value at liquidation cannot be predicted with absolute certainty. While SGGF III does expect to eventually repay investors more than the current $150,000, the amount and timing of any future payments is not known at the present time. There remains a risk that the fund will encounter difficulty in liquidating investments at an amount close to fair value.

As part of the reduction of payments at maturity, SGGF did not make the any interest payments during the year. However, this interest was paid in early 2002.



OBLIGATIONS TO INVESTORS

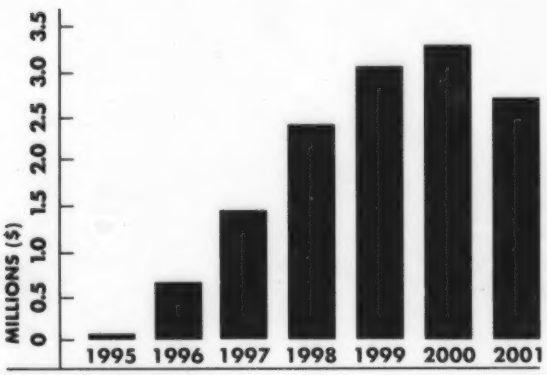
Peregis Inc.

Prairie Sulphate Corporation

Operating Activities

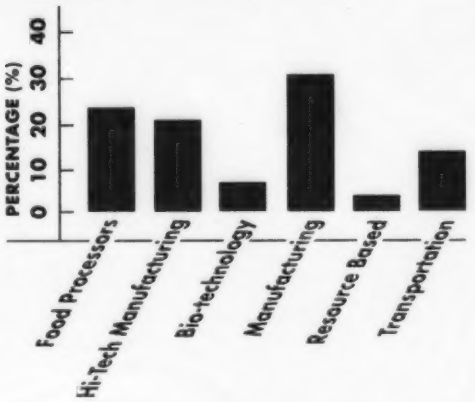
In October 2000 the administration and investment advisory services previously provided to SGGF III by SGGF Management Corporation were contracted out to a private fund manager. The fund manager is paid a monthly fee for its services and will receive a share of the net profits, if any, of the fund after all liabilities, including full repayment of investor obligations, of the fund have been paid.

Administration costs represent direct charges for the ongoing administration of the fund and its investments. As a percentage of total assets managed, these costs amounted to 2.37% in 2000 compared to 1.38% in 2000. The increase reflects a difference in the base on which management fees are calculated. Previously, fees were based on actual costs plus a markup whereas they are currently based on obligations to investors.



TOTAL REVENUE

DISBURSED BY INDUSTRY (SMEs)



Administration costs include a $2,000 provision for (2000 – $20,000 recovery of) future performance fees payable to investment advisors under the terms of their respective investment services agreements with the fund. These fees are payable by the fund to the advisors upon liquidation of their portfolio under management and upon the achievement of certain performance targets.

TriNexus Holdings Ltd.
Big Sky Farms Inc.
Biostar Inc.
Dutch Industries Ltd.
PEL Industries Inc.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The President and fund manager carry out management of the fund. The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund III Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and estimates of management or the Board of Directors. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the consolidated financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these consolidated financial statements.

On behalf of management,

Gary K. Benson
President

Mike Merth, CA, CMA
Crown Capital Partners Inc.

Prairie Sulphate Corporation

TriNexus Holdings Ltd

AUDITORS' REPORT

To the Shareholder and Investors of Saskatchewan Government Growth Fund III Ltd.:

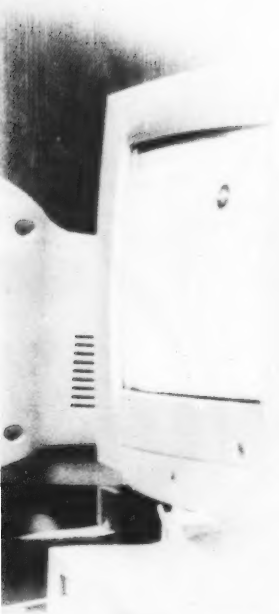
We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund III Ltd. as at December 31, 2001, and the Consolidated Statement of Operations and Deficit and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
January 31, 2002



CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund III Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Consolidated Statement of Financial Position
As at December 31

	2001	2000
Assets		
Cash	$ 8,324,531	$ 4,456,369
Portfolio investments (Note 4)	-	4,000,000
Accounts receivable and accrued income	63,375	182,249
Investments (Note 5)	11,428,384	11,685,599
Equipment on operating leases (Note 6)	-	6,131,142
Deferred costs (Note 7)	135,638	512,568
	$ 19,951,928	**$ 26,967,927**
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities (Note 8)	$ 126,136	$ 113,724
Commissions payable	35,750	70,250
Accrued charges payable to investors	504,520	-
Subscription deposits (Note 9)	50,010	100,010
Obligations to investors (Note 10)	24,100,000	27,500,000
	24,816,416	**27,783,984**
Share capital (Note 11)	2,000	2,000
Deficit	(4,866,488)	(818,057)
	(4,864,488)	**(816,057)**
	$ 19,951,928	**$ 26,967,927**

Commitments (Note 16)

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Director

Director

TriNexus Holdings Ltd.

Big Sky Farms Inc.

Saskatchewan Government Growth Fund III Ltd.

Consolidated Statement of Operations and Deficit
For the Year Ended December 31

	2001	2000
Revenues		
Interest from cash and portfolio investments	$ 416,383	$ 554,988
Income from investments	469,495	748,872
Lease revenue	1,812,596	1,918,005
Other income	25,121	66,003
	2,723,595	3,287,868
Provision for investment losses	1,799,183	263,581
Allowance for unrealized losses	2,018,354	356,956
	3,817,537	620,537
Net revenue	**(1,093,942)**	**2,667,331**
Expenses		
Administration (Note 13)	563,289	391,440
Interest on obligations to investors	504,589	576,530
Amortization of equipment on operating leases	1,527,178	1,529,945
Amortization of deferred costs	359,433	457,723
	2,954,489	**2,955,638**
Net loss	**(4,048,431)**	**(288,307)**
Deficit, beginning of year	(818,057)	(529,750)
Deficit, end of year	**$ (4,866,488)**	**$ (818,057)**

See accompanying notes to the consolidated financial statements

Saskatchewan Government Growth Fund III Ltd.

Consolidated Statement of Cash Flows
For the Year Ended December 31

	2001	2000
Cash flows from operating activities		
Net loss	$ (4,048,431)	$ (288,307)
Adjustments:		
Amortization of equipment on operating leases	1,527,178	1,529,945
Amortization of deferred costs	359,433	457,723
Provision for investment losses	1,799,183	263,581
Allowance for unrealized losses	2,018,354	356,956
Net change in non-cash balances related to operations (Note 14)	583,806	144,046
Cash flows from operating activities	**2,239,523**	**2,463,944**
Cash flows from investing activities		
Sale of portfolio investments	4,000,000	-
Disbursements on investments	(4,608,484)	(1,396,019)
Repayments from investments	1,128,084	880,567
Sale of equipment on operating leases	4,559,039	-
Cash flows from investing activities	**5,078,639**	**(515,452)**
Cash flows from financing activities		
Repayment of note subscriptions	(3,450,000)	(1,382,500)
Cash flows from financing activities	**(3,450,000)**	**(1,382,500)**
Net increase in cash	**3,868,162**	**565,992**
Cash, beginning of year	4,456,369	3,890,377
Cash, end of year	**$ 8,324,531**	**4,456,369**
Interest paid during the year	$ -	$ 576,530

See accompanying notes to the consolidated financial statements

Big Sky Farms Inc.

Biostar Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund III Ltd. ("SGGF III") was incorporated in October 1994 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF III was established to raise $35,000,000 through a note offering. Each note is a 2% unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF III commenced commercial operations in 1995. The marketing period for SGGF III ended July 31, 1997.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF III is required to invest in Saskatchewan based businesses that have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF III or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation

The consolidated financial statements include the accounts of SGGF III and those of 617275 Saskatchewan Ltd. ("617275") on a proportionate basis. 617275 is an entity that is jointly controlled by SGGF III and other SGGF fund companies. 617275 was created to be an eligible business under the guidelines of the IIP. Loans from SGGF III to 617275 were used to purchase infrastructure-related assets that were leased to Saskatchewan Crown corporations under various operating leases. Principal and interest payments due under the loans to 617275 matched the lease payments due under the operating leases.

In December 2001 the equipment on operating leases was sold.

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 trading days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Deficit, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF III has significant influence are not consolidated.

Equipment on operating leases

Equipment on operating leases is recorded at cost. When equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Deficit.

Equipment on operating leases is amortized over its estimated useful life on a basis that matches the principal repayments under the related loans.

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF III's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

Commissions payable

According to the terms of a marketing agreement entered into by SGGF III, a commission is legally payable to the independent marketing agent selling the note upon the issuance of the investor's immigrant visa.

Obligations to investors

Obligations to investors represent the notes issued to investors of SGGF III. Interest on notes is accrued at an annual rate of two percent (2%) from the date of note issuance. If sufficient funds exist, interest is paid annually on December 31 and at maturity.

3. Provisions of the IIP

Eligible businesses

One criteria of investment is the requirement that SGGF III invest in businesses with total assets of $35 million or less, including associated companies.

4. Portfolio investments

Par ($)	Issuer	Rate (%)	Maturity Date	2001 Cost ($)	2000 Cost ($)
	Province of Sask Bonds			-	4,000,000
				$ -	$ 4,000,000

5. Investments

	2001	2000
Debt	$ 8,982,386	$ 5,456,488
Equity	3,559,821	7,767,880
Provision for investment losses	(753,067)	(439,270)
Allowance for unrealized losses	(360,756)	(1,099,499)
	$ 11,428,384	$ 11,685,599

Included in investments are $2,797,110 (2000 – $4,145,811) of impaired investments, net of accumulated provision for losses of $753,067 (2000 – $439,270), upon which income is not accrued. During the year $3,544,139 (2000 – $307,396) of investments and costs have been written off.

Peragis Inc.

Prairie Sulphate Corporation

Equity investments include publicly traded shares at a cost of $507,537 (2000 – $3,484,150), with an aggregate market value of $146,781 (2000 – $2,789,212).

During the year, investments increased as follows:

	2001	2000
Balance, beginning of year	$ 11,685,599	$ 11,790,687
New investments	4,640,060	1,396,019
Repayments	(1,778,082)	(880,567)
Investments and costs written off	(3,544,139)	(307,396)
Net change in provision for investment losses	(313,797)	43,813
Net change in allowance for unrealized losses	738,743	(356,957)
Balance, end of year	$ 11,428,384	$ 11,685,599

6. Equipment on operating leases

	2001	2000
Equipment on operating leases	$ -	$ 10,052,258
Accumulated amortization	-	(3,921,116)
	$ -	$ 6,131,142

In December 2001, 617275 sold the above equipment, net of accumulated amortization, to third party entities established for the purpose of being eligible businesses under the IIP guidelines. No gain or loss was realized on the sale and loans were extended to these entities to purchase the equipment.

7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $1,598,414 (2000 – $1,623,980).

8. Accounts payable and accrued liabilities

Included in accrued liabilities is a $43,642 (2000 – $41,515) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF III. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

9. Subscription deposits

Subscription deposits are reclassified as obligations to investors upon note issuance.

10. Obligations to investors

Notes – 2% unsecured subordinated notes.

The obligation at December 31 is:

	2001	2000
109 notes (2000 – 110 notes)	$ 24,100,000	$ 27,500,000

The obligation at December 31, 2001 is comprised of 88 notes with a face value of $250,000 and 21 notes with a remaining face value of $100,000.

Expected liquidity problems in the investment portfolio that were identified in 2001 forced SGGF III to reduce repayments on notes that matured beginning in January 2001. It is not known with certainty when the remaining obligations can be redeemed and if then can be redeemed in full.

Interest due on the remaining obligations has been accrued.

11. Share capital

The authorized common share capital of SGGF III at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2001	2000
2,000 (2000 – 2,000) Class A common shares	$ 2,000	$ 2,000

12. Financial instruments

SGGF III's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF III's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SGGF III is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SGGF III invests. Some of the companies in which SGGF III invests are dependent upon a single product or industry. SGGF III manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF III restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF III conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF III's earnings will decline due to fluctuations in interest rates. SGGF III manages this risk through careful monitoring and matching the duration of its portfolio investments and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SGGF III will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF III's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF III's obligations to investors. SGGF III carefully monitors the duration of its investments. However, these timing differences may require SGGF III to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Deficit in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SGGF III invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SGGF III. In addition to earning a nominal return on their capital, their investment in SGGF III helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF III is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

13. Administration

Under the terms of a ten year Management Agreement, expiring in 2004, between SGGF III and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF III with the assistance of various investment advisors and a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF III. All services provided to SGGF III are charged on a fee for service basis. The breakdown of costs is as follows:

	2001	2000
Investment advisors	$ 2,128	$ 90,906
Fund manager	521,501	146,023
Salaries and benefits	-	83,093
General administration	4,864	35,830
Directors fees and expenses	11,964	8,944
Legal and professional	22,832	26,644
	$ 563,289	$ 391,440

Included in investment advisors is a $2,128 provision for (2000 – $19,710 recovery of) future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF III. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

14. Net change in non-cash balances related to operations

	2001	2000
Accounts receivable and accrued income	$ 118,874	$ 205,612
Deferred costs	(17,500)	-
Accounts payable and accrued liabilities	12,412	8,667
Commissions payable	(34,500)	(40,000)
Accrued charges payable to investors	504,520	-
Deferred revenue	-	(30,233)
	$ 583,806	$ 144,046

15. Income taxes

Greater than 90% of the issued shares of SGGF III are owned by a provincial Crown corporation. Therefore, SGGF III is income tax exempt.

16. Commitments

The total amount of investments approved but not yet disbursed is $456,928 (2000 – $456,928).

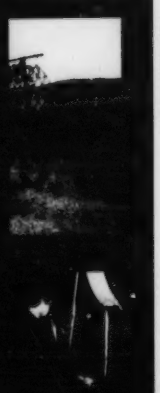
17. Related party transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF III is related. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms.

As stated in Note 13, SGGF III is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $561,161 (2000 – $411,150).

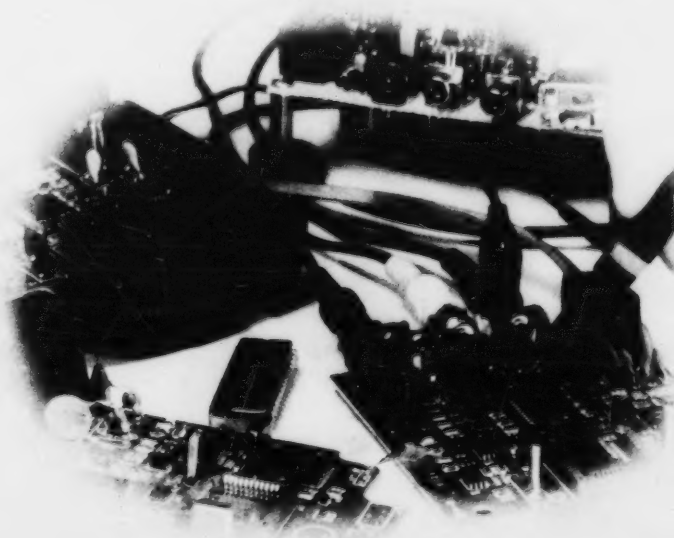
18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



PEL Industries Inc.

Dutch Industries Ltd.



HISTORICAL COMPARISON

Saskatchewan Government Growth Fund III Ltd.
Historical Comparison
(in thousands of dollars)

Financial Position
As at December 31

	2001	2000	1999	1998	1997	1996
Assets						
Cash	$ 8,325	4,456	3,890	2,972	16,603	20,053
Portfolio investments	-	4,000	4,000	4,000	-	
Investments	11,428	17,817	19,452	20,696	11,611	2,318
Other assets	199	695	1,358	2,073	2,139	1,798
Total assets	$ 19,952	26,968	28,700	29,741	30,353	24,169
Liabilities & (Deficiency) Equity						
Obligations to investors	$ 24,655	27,600	28,983	29,793	29,712	23,458
Other liabilities	161	184	245	305	553	687
(Deficiency) Equity	(4,864)	(816)	(528)	(357)	88	24
Total liabilities & equity	$ 19,952	26,968	28,700	29,741	30,353	24,169

Operating Results
For the years ended December 31

	2001	2000	1999	1998	1997	1996
Revenues						
Investment income	$ 470	749	747	603	303	98
Lease revenue	1,813	1,918	1,864	755	-	-
Interest from cash and portfolio investments	416	555	425	493	741	488
Other income	25	66	72	596	430	66
	2,724	3,288	3,108	2,447	1,474	652
Provision for losses on investments	3,818	620	445	672	108	-
Net revenue	(1,094)	2,668	2,663	1,775	1,366	652
Expenses						
Administration	563	391	380	413	309	236
Financing	2,391	2,565	2,453	1,807	992	384
Total expenses	2,954	2,956	2,833	2,220	1,301	620
Net (loss) income	$ (4,048)	(288)	(170)	(445)	65	32

CORPORATE DATA (as at December 31, 2001)

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Keith Rissling
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Gary Benson, President

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PEL Industries Inc.

Dutch Industries Ltd

Prairie Sulphate Corporation

PEI Industries Inc

Big Sky Farms Inc

Boxstar Inc

Dutch Industries Ltd

SASKATCHEWAN GOVERNMENT GROWTH FUND III LTD.